

A FIRST STUDY ON HONG KONG
MANAGEMENT CONSULTING BUSINESS

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ABSTRACT

This is an exploratory study with an aim to find out the present situation of the management consulting business in Hong Kong. Hong Kong companies's opinion towards the service, including their knowledge in the business, their attitude towards the service, and their experience in using the service and the circumstances for hiring consulting services are the scope of study in the questionnaire section of this study. Questionnaire and interview were conducted to collect the information.

The questionnaire results revealed that companies not using the service before were more sceptic towards the profession and they were less knowledgeable in the business. A majority of those having used consulting firms before had only used the service not more than three times, but they generally were satisfied with the service and would intend to rehire the consulting firm when needed.

From the interviews, we found that the consulting business in Hong Kong has been very good. More and more companies seek advice from consulting firms, and more and more practitioners enter the field. Generally speaking, consulting firms did not encounter much difficulties when they were working for the clients. The management consultants all believe that the future of the business is going to be promising though they also see more competition coming into way.

Although the future of the profession is quite promising, the following factors should be noted: uncertain Hong Kong's political environment, the quality of consultants, the lack of knowledge towards the profession and the need for an association to monitor the conducts of practitioners.

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CHAPTER I

INTRODUCTION

"What is management consulting?"¹ You will probably find no difficulty in obtaining a clear answer if this question was asked in the United States or in other foreign countries. Yet, if this question is asked in Hong Kong, it is most likely to find respondents being confused.

The concept of management consulting was first introduced in the United States and has already lived through a century. At the very beginning, management consultants were those individuals who felt they had a gospel tempered by practical experience of business, which they wanted to spread to others. With the technological advancement and economic boom, firms become larger and larger, and the external environment become more and more complex. Concurrent with this growth trend is the emergence of a lot of management problems which urged for a broader overview to cope with the complicated world. This nurtured the development of management consulting itself into a commercial activity in its own right.

Today, management consulting has become a universal think tank, pumping out the latest ideas in management to entrepreneurs and corporate executives (J.H.

¹The Institute of Management Consultants of Britain defines Management Consulting as the service provided by an independent and qualified person or persons in identifying and investigating problems concerned with policy, organization procedures and methods, recommending appropriate action and helping to implement these recommendations.

Fuchs,1975). The level of involvement of management consultants varies, from just providing information to actually engaging in implementing the proposed changes. The services involved can range from broad diagnosis to highly specialized advice. To name a few, giving advice to top management on general management problems, advising functional areas such as marketing and finance on operational problems, introducing scientific management techniques at lower levels. To give a thorough picture of the diversity of the profession, Appendix 1 sets forth a comprehensive list of services that can be rendered by management consultants.

Being very pervasive in western countries, recently we can also find that sort of consulting companies in eastern countries. Aiming to see whether the concept is suitable and applicable in eastern countries, the present authors set out to study the industry in the Hong Kong context. The Hong Kong context is quite a specific one, with its culture originated from the long-established Chinese culture, yet being greatly affected by the western culture. The traditional Chinese culture of not to disclose oneself to others and also not to mind another's business may hinder the growth of the consulting profession in Hong Kong. On the other hand, being the colony of the United Kingdom for such a long time, as well as an important international business centre, Hong Kong has assimilated much of the western culture. Hence, it is of great interest to explore the true potential of the profession in the Hong Kong context.

A. Demand of Management Consulting Services

Gaining recognition for its significance in providing the necessary talents and information to the client firms, the profession has experienced a high growth rate since its emergence. In the mid-seventies, U.S. businesses spent about \$1 billion on their expertise, opinions, initiative, and hunches (D.M. Kellogg, 1984). By 1980, the revenue of management consulting has reached over \$4 billion and kept more than sixty thousand consultants employed on a full-time basis (G. Kishel & P. Kishel, 1985). An estimation of \$10 billion annual revenue and 20% growth rate is made recently by A.B. Fisher (1989). In 1956, the United Kingdom has spent about £4 million annually on consultancy assignments and there were about 1,000 experienced consultants practising. By 1981, the annual management-consulting-revenue has risen up to £200 million and there were about 5,000 consultants (P. Tisdall, 1982).

Why hire consultants? Answers vary and any listing of them may never be conclusive. A better way to look at the question is to consider "When is outside help justified?" After reviewing various articles on this issue (Asia Productivity Organization, 1974; J.J. Brady, 1986; G. Kishel & P. Kishel, 1985; P.D. Morgan, 1982; the British Institute of Management's checklist 'The Effective Use of Management Consulting Services'-P. Tisdall, 1982), the usual situations that call for the help of external management consultants are as follows:

1. Organization lacks the expertise to do the job - this circumstance usually arises when specialized knowledge and technical know-how is called for. Besides, utilizing consultants is reasonable when such rare expertise is only occasionally needed that do not justify a permanent hire.

2. Need for an external opinion and impartial advice - More than bringing expertise to an assignment, a consultant can also bring a new and objective viewpoint. Usually, the external consultant is free from the preconceived ideas of the organization and usually can come up with more innovative solutions.
3. Much exposure of external consultant - Without betraying any confidences, the experiences gained from a portfolio of similar cases enables the management consultant to come up with more practical and realistic solutions to problems which a single company might encounter only once in its lifetime.
3. Has a deadline to meet - Although with the proper knowledge and skills to solve the problems, the staff may already be engaged in other tasks. The inadequate staff-time available make desirous the hiring of management consultants, who can start work immediately and has the ability to achieve the desired outcome within the time constraint.
4. Does not wish to perform the task - Even though the client could perform the task, he or she prefers, not to do it. Sometimes, the use of external consultants is more cost effective than the client to perform the task himself. This situation is exemplified during high growth periods, when management time is usually concentrated on how best to take advantage of opportunities for expansion and less on the mechanics of management.
5. Wants to capitalize on the consultant's credibility - As a well-known consultant is believed to be more expert in the field, the use of consultant would heighten the credibility of reports to be presented publicly.

B. Objective of the Study

As compared to the United States or the United Kingdom, the profession in Hong Kong can be said to be still in its infant stage. By just looking at the years of its presence in Hong Kong² can verify this attribution. However, even the history of a business is very short, it can still attain the mature stage. The origin of management consulting profession in Hong Kong can be traced back to about two decades ago, yet, it is not until recent years that more people have clearer ideas on what a management consultant is, and that a lot of new practitioners enter into the arena. The knowledge of the general public towards the business, hence, would be a better indicator of the stage of the business.

The indistinct picture of the management consulting business in Hong Kong induces the present authors' interest in studying the business. We hope to restore the pieces of this mental jigsaw into a clear picture. The following reveals the three areas of interest of the present authors:

1. *A look at the general attitude and knowledge of Hong Kong companies towards the profession*

As usual for any new products, it takes great effort to gain customers' acceptance during the introductory phase. For high-fee goods/service with outcomes that may not come into effect in the short run and may not be easily evaluated, it would take the customers longer time to accept its presence and to use it. Unfortunately, not only does management consulting fall into this

²There were consulting services provided as early as the 1960s.

category, its unique nature brings it further complexities. For long, management consultants are quite indifferent about the concept of marketing. Being crowned with the title of professionals, some of them have mythically taken for granted that clients would take the initiative to approach them. Besides, management consultants may feel uneasy to market themselves aggressively for fear that their marketing postures might obscure their analytical capabilities, their capacity for independent judgment, and their record of often delivering real value (L.H. Young, 1987). A main stream of consultants, the public accounting firms, is further prohibited by laws to publicize themselves.

In order to boost up the profession, it is widely suggested in the foreign literatures that consulting firms should be more aggressive in marketing themselves during the introductory phase. As Hong Kong is an international business centre, most of the foreign large consulting firms have started up their business here. Hence, with the learning effect brought forward, these firms should have been more active in introducing themselves to the Hong Kong public than when they first started up their business years ago in foreign countries.

Even if the practitioners in Hong Kong were to be more aggressive in letting themselves be known to the public, the resistance in accepting the management consulting concept might be greater here. It is a Chinese tradition not to mind another's business as well as not to disclose one's own problems to others. The high concern for face-saving will make the companies unwilling to seek external advice as this somehow is perceived an admission of failure.

The status of an international business centre may, on the other hand, begin to make Hong Kong business executive more open-minded and ready to

accept the concept. It is because the internationalization widens Hong Kong people's exposure to western business ideas and practices. The intricate picture of the general attitude and acceptance of Hong Kong public towards the profession thus deserved investigation.

2. *A look at the consulting firms' actual experience of practising in Hong Kong*

To get a complete picture on the profession, we would also examine the actual practice involved in: starting a relationship with the client; involving in an assignment; and maintaining a post-hoc relationship with the client. Problems and opportunities in each phase would be examined. As mentioned at the very beginning, the consulting business in those developed countries has already passed the infant stage. Therefore, the contemporary focus of the articles has shifted from talking about how to start a relationship with the client, to talking about how to maintain a good relationship with the client. As for Hong Kong, the consulting business is at its early stage, the opportunities and threats encountered here might be different.

C. Scope of the Study

As the management consulting business in Hong Kong is very young, not much research has been conducted in this field. Therefore, our research will basically be an exploratory study on the present situation of the business. Instead of limiting our study to a narrow scope, we decided to cover the following three areas in this study:

1. To find out the general attitude of Hong Kong Companies towards the consulting business, the considerations in using a management consultant,

types of consulting services sought, and the ways of starting relationship with client companies.

2. To identify the threats and opportunities of the business in the Hong Kong context.

CHAPTER 2

METHODOLOGY

With respect to the three areas of interest, this study is split into three stages. Different kinds of information were sought, each using an appropriate methodology.

A. Study on the General Attitude of Hong Kong Companies towards the Profession

In this part, questionnaires would be sent to Hong Kong public limited companies asking their knowledge of, attitude towards, and experience of the consulting service.

1. *Questionnaire Design*

The questionnaire is divided into two sections(Appendix 2) and a total of nineteen questions were included. Since the nature of the present study is an exploratory one, most of the questions included were open ended so as to reveal more information.

The first section revolves around the general opinion of companies towards the profession. Question 1 & 2 aim at finding out the level of knowledge of respondents towards the business.

Question 3 serves to check out what means are used by consulting firms in making themselves known. Besides, it can also reveal the more frequently used and the more effective ways of promotion used by the profession.

Question 4 helps to figure out under what occasions would companies think that external help is justified. As mentioned in the first chapter, there are five usual circumstances where hiring a consultant would help. We would examine if Hong Kong companies have similar ideas or not.

Question 5 asks the respondents to rank the criteria for choosing a consulting firm. Six factors including the "others" option were included. The choosing of these 6 factors were based on the results of past research (C.A. Congram & R.J. Dumesic, 1986; J.P. Davidson, 1986; N.V. Rosenberg, 1987).

Question 6 & 7 tap the respondents' attitude and acceptance towards the profession. They shall show whether they are positive towards the service through their responses to these two questions, which separately ask about the usefulness of the service to their own company and to Hong Kong companies as a whole.

Question 8 asks directly whether the respondents have used the service before, and Question 9 is concerned with the reasons for not hiring consulting firms. These two questions, in addition to previous two questions, not only reveal the demand for the service in Hong Kong, but also give some implications on the marketing strategies for the business. Different approach should be used for respondents who totally object to the idea of consulting, and for respondents who for some reasons have not used the service but show acceptance towards the service.

Question 8 also helps to differentiate the respondents into two groups, those who have used the service before and those who did not. Those respondents who have sought the advice of consultants would be required to fill

up the second section of the questionnaire. The second section aims to learn about their experience in using the service.

Question 10 gives us a picture on the number of times of usage. Through this question, we would like to know whether the companies rely heavily on consulting services to solve their company problems.

In order to know clearly the respondents' experience and opinion on the service, they were asked to refer to the most recent consulting firm they hired in answering Question 11 and those onwards.

Question 11 & 12 tell us when and why the respondents use the service.

Question 13 & 14 serve to indicate the initiator for the service and the effective means to start the relationship. Does the consulting firm just sit and wait for the clients to come, or does she market herself actively through some means? Question 15 helps to pinpoint the consulting firms' strategies in marketing their service. How does the consulting firm stand out from the others.

Question 16 reveals whether the experience is a satisfactory one. Question 17 allows respondents to tell the problems, if any, encountered during the interaction. The response may be helpful in identifying areas for improvement for the consulting firm. Question 18 tells us how likely the company is going to use the same consulting firm in the future. It is also the last question on the acceptability of the professional service. Finally, Question 19 probes the respondents for any additional opinions not yet covered in other questions.

2. *Sampling Method*

Owing to the limit of resource, judgemental sampling is used to locate the questionnaire respondents. Since the consulting service is rather new in Hong Kong, we think it is sensible to try to reach for the most potential user of the service. Who will be the most frequent user? As indicated by past experiences in the developed countries, size of the company is a powerful differentiator. An investigation into the United States' condition found that 70 percent of large firms had employed management consulting firms before, and most of them repeatedly hired consultants (Asian Productivity Organization, 1974). In the United Kingdom, the percentage of large clients of the total revenue rose from 63 percent in 1976 to 72 percent in 1981 (P. Tisdall, 1982).

Which are the largest companies in Hong Kong? We believe they are the public limited companies. Under the surveillance of the Hong Kong Stock Exchange Co., only companies having total asset at market value larger than HK\$ 50 million is qualified to go public. Since HK\$ 50 million is not a small amount, we are quite confident in saying that these companies are large enough to be our respondents.

A second reason is that the public limited companies are of different industries. By covering all of them, we could learn about the attitudes of companies in different industries. Though we do not know whether some industries would be more likely to use consulting service or not, by covering different industries, we can keep our results more representative. And if differences exist, we can do comparison among them.

Up to date, there are about 270 public companies in Hong Kong. As the

number is not really very large, we would include all of them in our sample. As the decision to use management consulting services usually come from senior management, we entitled all the questionnaires to the executive director³ of a company. These people are usually involved in making the hiring decision.

B. Study on the Actual Practice of Consulting Firms

Interviews will be conducted on a number of consulting firms in Hong Kong. The interview allows us to look at the issue from a different angle. For instance, does the consulting firm really know what qualities are important in attracting clients? What problems would be encountered during an assignment? Any discrepancy in the two parties' perception would be areas for improvement.

In order to get a comprehensive view, we intended to include both the larger and the smaller practitioners into our interviewing list. Besides, since there are quite a number of individual part-time consultants, we could not afford to miss their information.

A list of the questions to be covered in the interview is depicted in Appendix 3. The questions are mainly categorized into 6 sections. First, as mentioned above, not much of information about the business in Hong Kong is available, we seized the chance to obtain general information on the business from the practitioners. Questions in this section can also reveal the level of demand and supply, and the popular types of service in the Hong Kong context.

In the second section, general information on company background would

³We found the name of the executive director of each public company from the year book of Hong Kong's listing companies.

be asked. These include the areas of specialism and history of the company. Specific questions relating to the consultant per se is asked. As consultants are usually those high-edged personnel having both experience and knowledge, the recruiting of such persons might be difficult. We also suspected whether the nationality of the consultants would be one of the recruitment criteria - perhaps some Chinese executive would prefer working with and have more confidence in consultants with the same race.

The next three sections are concerned with the three phases of a client-consultant relationship. In the stage of starting the first contact with the clients, what are the usual ways of making the first contact with the clients? How do these practitioners attribute their success in attracting clients? Do the factors differ from those cited by the clients? As the interaction is a two-way process, not only do clients have the right in selecting consulting firms, the consultants may also select which assignment to accept. Hence, we would look at the criteria, if any, in accepting a business.

After signing a contract with the clients, a working relationship actually starts. The main focus here is to find out the possible problems involved and the way to establish a good working relationship. A good working atmosphere is essential for the assignment to be successful, and to solve the problems encountered. Auxiliary information concerning the details of a typical assignment are also asked, such as the average time frame, budget, and the number of consultants involved. The usual characteristics of the client companies would be examined to see if there is any particular characteristic(e.g. size, ownership) similar to the situation in foreign countries.

After furnishing an assignment, would the consulting firm bother to maintain a long-term relationship with the clients. If yes, usually by what means? On the other hand, is there a trend showing that clients like to re-employ the same company, hence justifying the effort in keeping a long-term relationship?

Finally, opinions about the future development of the profession in Hong Kong would be gathered. Are there any foreseeable changes, both threats and opportunities, in the future? How would the firm prepare itself for the future?

CHAPTER III

RESULTS AND DISCUSSION

A. Questionnaire Results

We have sent out a total of 263 questionnaires to all the public limited companies registered in Hong Kong as of December 1988. A total of 53 questionnaires were returned. Among the returned questionnaires, some were returned to us blank. The final number of usable questionnaires were reduced to 42 which is a response rate of 16%.

RESPONDENTS

The respondents came from different business sectors. They included companies from public utilities, banking and finance industry, textiles industry, electronics industries, toy industry, food and beverage industry, real estate development industry, and telecommunications industry and some traditional Chinese industries.

Among the 42 respondents, 21 reported in Question 8 that they have never used management consulting service (G1) and 21 reported that they have used this kind of service before (G2). Since these two groups of respondents might exhibit different attitudes and might have different exposure to management consulting services in Hong Kong, we shall analyze their responses to our questions separately, and make comparisons between the two wherever possible.

ANALYSIS

Since the questionnaire contains open-end questions and close-end questions, different methods will be used in the analysis. For open-end questions we would present information gathered from the respondents and discuss the implications of the information. For the first two open-end questions and the close-end questions, statistical analysis has been performed so that we can know whether the opinion of these two groups of respondents differ statistically. The statistical package SPSSx available in the Computer Centre, the Chinese University of Hong Kong is used for the statistical analysis.

I. Knowledge of consulting business in Hong Kong

1. Qualitative analysis

The first question asked about the types of management consulting services available in Hong Kong. The second question asked about the name of the firms known to them. Thus together these two questions serve to indicate the respondents' knowledge in the business.

We believe that the respondents' previous experience in using consulting service and their knowledge in the types of services available shall be closely related. Therefore in the following, we shall see whether, and in what ways, respondents in G1 and respondents in G2 differ with each other.

- i) G1 : Respondents not using the service before
- a. Type of services mentioned

Among the twenty-one respondents who never use any consulting service, six respondents reported they had no idea of the services provided in Hong Kong. The rest of the respondents cited quite a comprehensive list of services. Some respondents included commercial and administrative service as the answer to this question. Among the different types of services cited, some kind of services were mentioned more frequently than others. Consulting services that have been mentioned were listed in Table 3.1.

Table 3.1. Consulting services mentioned by G1
(frequency in parenthesis)

1. advice on organizational set-up, operations	(10)
2. compensation and benefits structure	(2)
3. executive recruitment	(4)
4. general problem solving	(2)
5. in-house training courses	(3)
6. accounting and finance	(3)
7. data processing	(2)
8. future development	(1)
9. commercial and administrative service	(1)
10. project analysis	(1)
11. take-over	(1)

The variety of services mentioned reflects that some respondents were rather familiar with the work of management consulting companies even though they might not have used the service before.

b. Names of firms cited

Ten of the respondents in this group were not able to cite any management firm by their name. Some respondents knew that many multinational accounting firms have management consulting arms but they failed to quote them by names. The remaining respondents were able to name a few companies. The maximum number of consulting firm cited by a single respondent is 4.

The consulting firms cited by this group of respondents were listed below, showing their frequency of quote in brackets.

Table 3.2. Consulting firms named by G1
(frequency in parenthesis)

1. Peat Marwick Management Consultants	(4)
2. Price Waterhouse	(4)
3. Hong Kong Management Association	(2)
4. Hay Management Consultants (HK) Ltd.	(2)
5. Deloitte Haskins & Sells	(2)
6. McKinsey & Co.	(2)
7. Arthur Young	(1)
8. Coopers & Lybrand	(1)
9. Dew Point	(1)
10. Ernst & Whinney	(1)
11. K.K. Yeung & Associates	(1)
12. L A Human Resource & Development System	(1)
13. PA consultants	(1)
14. Proudfoot	(1)

ii) G2: Respondents having used consulting service

a. Types of services mentioned

Unlike respondents who never used the service before, this group of respondents were all very familiar with the range of services available. They

cited a total of 22 types of consulting services provided by the consulting firms in Hong Kong while the first group of respondents only cited 11 types of service.

They quoted a very wide range of services and many of which were not mentioned by the respondents who never used the service before. Except one respondent who cited many administrative services, all other respondents cited advisory services that require a certain level of expert knowledge. Therefore, respondents in G2 and respondents in G1 differed with each other in the variety of services and the number of services cited.

The consulting services cited by this group of respondents are listed below, with the kind of service being cited most frequently being placed first.

Table 3.3. Consulting services mentioned by G2
(frequency in parenthesis)

1.financial strategy	(10)
2.EDP advisory service	(8)
3.human resources	(7)
4.corporate strategy	(6)
5.executive recruitment	(6)
6.management development	(6)
7.act as company secretary, accountant, auditor	(4)
8.operation study	(4)
9.company restructure	(3)
10.compensation	(3)
11.market research and strategy	(3)
12.organizational development	(3)
13.legal matters	(3)
14.methods analysis	(2)
15.project study	(2)
16.advertising	(1)
17.feasibility study	(1)
18.liquidation of company	(1)
19.problem solving	(1)
20.public relations	(1)
21.set up companies	(1)

b. Names of firms cited

All except one of the respondents cited some consulting firms by name. Three respondents only cited one consulting firms but the rest usually cited two or more. A particular respondent even cited the names of seven consulting firms. A total of 31 management consulting firms and associations were cited by this group of respondents.

It is worth mentioning that one of the respondents also talked about some personal consultants such as lecturers in the Chinese University of Hong Kong. This reflected that these respondents were in fact very familiar with the management consulting practice in Hong Kong.

As was the case with question one, some management consulting firms were mentioned more frequently. Two prominent accounting firms in Hong Kong, Peat Marwick Management Consultants and Price Waterhouse, were mentioned most frequently.

The results for Question 2 are listed below along with their frequency of quote:

Table 3.4. Consulting firms named by G2
(frequency in parenthesis)

1. Peat Marwick Management Consultants	(9)
2. Price Waterhouse	(8)
3. Deloitte Haskins & Sells	(4)
4. Hay Management Consultants (HK) Ltd	(4)
5. Wyatt	(4)
6. Arthur Young	(3)
7. McKinsey	(3)
8. Booz Allen & Hamilton	(2)
9. Coopers & Lybrand	(2)
10. Drake Beam Morin	(2)
11. The Hong Kong Management Association	(2)
12. Hong Kong Productivity Council	(2)
13. INCO	(2)
14. PA Management Consultants	(2)
15. Arthur Anderson	(1)
16. Business International	(1)
17. Deacons	(1)
18. Decision Processes International	(1)
19. Ernst & Whinney	(1)
20. Gibson Public Relations	(1)
21. Hill & Knowton	(1)
22. Hong Kong Survey Research Limited	(1)
23. Kurt Salmon Associates Inc.	(1)
24. Management Analysis Centre	(1)
25. Management Development Centre	(1)
26. March Manufacturing Technology Ltd.	(1)
27. Organization Systems	(1)
28. Performa (Asia) Ltd.	(1)
29. Technomics	(1)
30. Personal consultants	(1)

b. Statistical analysis

Questions 1 and 2 were open-end questions, therefore, the responses to these two questions were first scored before statistical analysis were performed. The scoring scheme was as follows : for Question 1, every type of service being quoted by the respondent was given one score. If the respondent cited two specific services but were of the same type, only one score would be given. For Question 2, every management consulting firm cited was given one score.

The total number of scores for each respondent were counted and taken as his/her total score for the question. The scores for the two questions were then analyzed with a T-test to see if the two groups of respondents differ in their knowledge of the consulting business.

Results of the T-tests showed that the two groups differed significantly in their knowledge of consulting business in Hong Kong. The t-value for services mentioned was -2.75, $p < 0.01$ and the t-value for names of firms cited was -2.38, $p < 0.05$. Thus, the group of respondents having used the consulting service were significantly more knowledgeable than the other group of respondents.

Both the qualitative and the quantitative analysis revealed that respondents having used the service before were more knowledgeable than respondents not having used the service. This reflects that the companies' knowledge of the business is rather limited. If the companies have been educated in the knowledge of the business, there shall not be such a difference between them. Thus, there might be a need for management consulting firms to educate the companies on the knowledge of this business. We shall discuss this point in further detail in the last Chapter.

II. Learning about the management consulting firms

The third question is concerned with the way respondents came to learn about these firms. Unlike the previous questions, this question is not aimed at checking the respondents' alertness towards the field, instead, it aims at knowing the usual ways consulting firms make themselves known to Hong Kong companies. It can also reveal whether the respondents had actively sought to

learn about the consulting firms, or they happen to know consulting activities through consulting firms' promotional activities.

a) G1 : Respondents not using consulting service

Though this group of respondents did not have as much knowledge in the business, all but one of the respondents have encountered some consulting firms before. A look at the means by which the respondents came to know about the firms revealed that the journals and news media were relative more popular. However, when we categorize the various means into two groups: one involving direct personal interaction and one not involving direct interaction, it shows that the former group predominates. It seems that consultants prefer to make themselves known through day to day personal interactions.

Table 3.5. Ways of learning consulting firms cited by G1
(frequency listed in parenthesis)

1. Business contact	(4)
2. Journals, news media	(4)
3. Being called on by consultants	(3)
4. Social contacts	(3)
5. Referral	(3)
6. Advertising and publicity	(2)
7. Conferences, seminars	(2)

ii) G2 : Respondents having used the service before

For this question, the responses from this group of respondent is quite similar to the first group. The press is still an important means for learning about the consulting firms though the most popular method was business contact. Besides, personal contacts is also a significant to this group of respondents. As with the first group of respondents, personal interaction is a major way of getting

in touch with the consulting firms.

The responses are tabulated below with the frequency of quote in bracket:

Table 3.6. Ways of learning consulting firms cited by G2
(frequency listed in parenthesis)

1. Business contact	(6)
2. Journals, news media	(4)
3. Personal contact	(4)
4. Referral	(4)
5. Brochure, mailers	(2)
6. Through their accounting arm	(2)
7. Being called on by consultants	(2)
8. Prior use in other countries	(2)
9. Seminars	(1)

III. Circumstances and Criteria of hiring consulting service

Question 4 and 5 aimed at knowing under what circumstance(s) would respondents consider it necessary to seek for consulting services and the criteria for selecting a consulting firm. Answers to these questions shall reveal when shall the companies need outside help and what are the criteria used for selecting a consulting firm.

i) G1 : Respondents not using the service before

a. Circumstances of considering consulting service

Three respondents totally objected to the use of consulting service in any circumstance. Another respondent would limit his use of consulting service to executive recruitment. Most of the other of the respondents reported that they shall consider consulting service when expert advice is not available in-house.

Below are listed the occasions of seeking help from consulting firms:

Table 3.7. Circumstances in hiring consulting firms cited by G1
(frequency listed in parenthesis)

1.	expert advice not available in-house	(4)
2.	lack of expertise in entering new industry	(1)
3.	recruitment	(1)
4.	in times of declining office morale, work efficiency, corporate profit	(1)
5.	short time problem solving	(1)
6.	when planning to set up a new company, or to manage a newly built industrial/commercial building	(1)
7.	come into some unfamiliar situations	(1)
8.	more economic to hire external help	(1)

As reflected from the responses, the respondents generally admitted that consulting service is a source of external help which they could call for when they do not have the expertise in-house.

ii) Respondents having used consulting services before

The first two questions have revealed that this group of respondents were more familiar with the consulting business in Hong Kong. Therefore, it would be interesting to know whether this group of respondents would consider using consulting service more readily. We should be able to know whether they would report more situations for using the service or whether they have different perspectives from the other group of respondents. After taking a look at their responses, it seems that this group of respondents did not differ much from the other group of respondents in the circumstances for considering outside help.

The respondents reported considering consulting service when there is a need for :

Table 3.8. Circumstances in hiring consulting firms by G2
(frequency listed in parenthesis)

1. Specialty skills or information not available in the company	(14)
2. Additional resources to undertake particular tasks due to manpower or time constraint	(8)
3. Objectivity or confidentiality needed	(5)
4. More economic to hire external help	(1)

Different from the group of respondents who never used consulting service before, this group of respondents did not mention the specific instances such as starting a new business, where they used consulting service. Instead, they tended to give the general situations where they would consider using consulting service. As a point of interest, none of the respondents used the term "problem" when they reported the circumstances where they would hire consulting service. They were more inclined to view the need for consulting service in a positive way. They avoid to think that they use a consultant because there is a "problem" in their company. Rather, they say they have a "need".

b. Criteria for choosing a consulting firm

This question was a rank order question and so a scoring scheme was designed before statistical analysis were done. Each item was anchored a score according to the rank given by the respondent. Since there were 5 items in the question, the item being ranked the most important was given a score of 1 and the item being ranked the least important was given a score of 5. The rest of the items were scored accordingly, with a high rank item getting a lower score. Though we allow the respondents to fill in and rank the "others" option, we did not include this option in our analysis. This is because different considerations

fell into this option and so no meaningful interpretation can be made even if it is included. Since each item has its own score, the respondents would get five separate scores for the five items in this question.

To see if the two groups of respondents would have different criteria in choosing a consulting firm, their scores for each item were compared using the Breakdown Analysis. None of the items was found to yield any statistical difference. Hence, the two groups of subjects did not have different criteria in choosing a consulting firm.

In order to find out which criterion was most important, the scores for each item were compared among themselves. The mean score for each item was shown below:

Table 3.9. Mean score for the five criterion

CRITERION	MEAN SCORE
1. credibility in keeping information confidential	2.09
2. high reputation	2.00
3. personal referral	3.32
4. size of company	4.38
5. history of company	3.32

Thus from the score, we can see that the importance of the criteria were as follows :

1. high reputation and credibility in keeping information confidential
2. personal referral and history of company
3. size of company

The fact that reputation is of great importance is easy to understand. Since the consulting business is a highly fragmented market and client companies

did not have much public information concerning the performance of a particular consulting firm, reputation serves as an informal indicator of the performance of the firm. Thus the client company relied a lot on this criterion.

Credibility in keeping information confidential is very important for a consulting firm. This is readily understood. The client company has to disclose company information to the management consulting company. If the consulting company does not keep the company information confidential, it would be very dangerous for the client.

Personal referral and history of company were the two criteria that are less important. The fact that size of company was ranked the least important is a rather interesting finding. In fact, a large consulting firm can offer better support to its individual consultant and the consulting company might exert closer supervision on consultants' performance. However, in our finding, respondents tended to consider company history higher than size of company.

IV. General attitude towards the consulting service

Question 6 and Question 7 were constructed to check the companies' general attitude towards the consulting service. While Question 6 specifically asked the respondents for their belief in the helpfulness of the service to their own company, Question 7 asked for their belief in the need for the service to Hong Kong companies as a whole.

Response to Question 6 was indicted on a 5-point Likert scale. A score of "1" denotes that the respondent believe that it is very likely that a consulting firm can help solve a problem(or and a score of "5" denotes that the respondent believe that it is very unlikely that a consulting firm can help solve a problem.

Question 7 was a forced choice question, respondents have to choose from either "Yes" or "No".

Responses for the two groups of respondents were compared to each other by means of a T-test for Question 6 and by a Chi-Square test for Question 7.

The result of the statistical analysis revealed that the two groups of respondent did have significant difference in their belief. For Question 6, the mean score for G1 (respondents not using consulting service) was 3.7. They did not think it would help their company by using the service. The mean score for G2 (respondents having used the service) was 2.1. They believe it helpful to use the service. The T-value was 5.13 and is significant at $p < 0.001$ level.

For Question 7, the Chi-Square also yields a significant result. The Chi value is 14.49, $p < 0.001$. The frequency distribution of the responses were depicted in the following table :

Table 3.10. Opinion towards the need of consulting services by Hong Kong companies

	Group 1	Group 2
Yes	6	20
No	10	1

From the table, we see that respondents who have not used the service were more inclined to saying that Hong Kong companies did not need consulting services. On the other hand, respondents who have used the service were definite that Hong Kong companies need consulting service.

Thus, respondents who have not used the service tended to think that consulting service is of little use. They think that their own company shall not

benefit from the service and Hong Kong companies in general did not need the service. Respondents who have used the service, however, were of the opposite opinion. They think that consulting service is useful to their own company and Hong Kong companies in general need the service.

In prior paragraphs, we have learned that the two groups of respondents differ in their knowledge of the business. Now we find that their attitude towards the service also differ significantly. Respondents who have not used the service tend to have a negative attitude to the service while their counterpart tend to have a positive attitude.

V. Prime reason for not using consulting service

Respondents who have never used any consulting service before were asked to give the main reason for not using it. Among the respondents who fell into this group, a majority replied that it was because they did not have the need for the service.

The reasons for not using the service were tabulated below:

Table 3.11. Reasons for not hiring consulting firms
(frequency in parenthesis)

Not necessary	(12)
Expensive	(2)
Do not want to disclose company information	(1)
They cannot help	(2)
Others: have in-house consulting team	(2)
consultants only served as scape-goat	(1)
top management not ready to accept change	(1)

Most respondents who had not used the service explained that it was because they did not have the need for this type of service. Respondents who are skeptical of the service only constituted a minority. They are reluctant to disclose company information or they thought consulting service could not help. From this result, it seems that most respondents are not prejudiced against using consulting service. The major reason is that they do not readily perceive the need for the service. However, we have also found that this group of respondents have negative attitude towards the service. The discrepancy between the two findings needs to be consolidated. We speculate that a possible reason is that this group of respondents are not confident in using consulting service. Therefore, they have a negative attitude in the service and so do not think it necessary to use the service.

VI. *Past experience in using consulting service*

For those respondents who have used consulting service before, we asked them their past experience in using the service. Information being asked included number of times of using consulting firms, the most recent circumstances for using consulting service, and the type of service sought.

Table 3.12 shows their experience in using consulting service before. It reveals that most of them used it for three or less than three times. Since most of these respondents were public limited companies which were established in Hong Kong for quite some time, the fact that they had only used the service for one to three times before suggests that they do not use the service very frequently.

Table 3.12. No. of times in using consulting firms

No. of times	# of respondents
1-3	14
4-6	4
10 or more	3

When respondents were asked to refer to the most recent experience in using consulting service, they gave similar responses as they have given in Question 4. The most frequently reported answers were the need for an independent specialist advice. Some respondents replied that they needed the consultants to give them the relevant information for their business. Another point to be noted is that some of their answers like setting up the company, year end auditing, and performing duty of company secretary look like accounting services rather than management consulting services. Thus we feel that even for this group of respondents, the conception of consulting service may not be very clear.

Table 3.13. Circumstances of hiring consultants
(frequency in parenthesis)

Need an independent specialist advice	(8)
Internal sources was not enough	(5)
Want to change organization culture	(1)
Study on group structure	(1)
Get information on foreign investment	(1)
Setting up the company	(1)
Year end auditing	(1)
Performing duty of company secretary	(1)
To assist in preparation of annual report	(1)
To resolve a difficult internal management problem	(1)
Compensation	(1)
After company reorganization	(1)

The kinds of service being sought were diverse. Two respondents reported seeking advice for company restructure. Two other companies reported seeking advice for management organization development and marketing. The rest of the respondents sought different kinds of service. A similarity that most of the services share with each other is that they were specific services such as conducting marketing research, setting up the company, assisting in preparation of annual report. Only a few companies sought consulting services that would involve the participation of the whole organization.

Table 3.14. Types of consulting services sought
(frequency in parenthesis)

General Management	
-company restructure	(2)
-general operation	(2)
-organization development	(1)
-organization design	(1)
-feasibility study	(1)
Human Resources	
-compensation	(4)
-training	(2)
-recruitment	(2)
-job evaluation	(2)
Marketing	
-marketing research	(1)
-public relations	(1)
Finance & Accounting	
-auditing	(1)
-accounting	(1)
-tax	(1)
International Operations	
-foreign investment	(1)
Legal Advice	
-setting up company	(1)
-company secretary	(1)

VII. *Contacting the consulting firm*

Respondents were also asked whether they have taken the initiative in contacting the consulting firm in their most recent consulting project and the means of contacting the firm. Out of the 21 respondents, nineteen reported taking the initiative to contact the consulting firms themselves. It is rather a surprising finding to us. However, after recalling their responses for hiring consultants, this finding is rather understandable. Most of the companies regarded consultants a good source of external expertise. If they perceive the

need for consultanting service, they have to reach out for them. One would use the analogy of a patient going to see a doctor.

Since most of the respondents would take the initiative to reach out for the consultant, it is important that the consultant should make themselves known to these companies beforehand so that they would have the chance of getting the business from the companies.

Concerning the means of contacting the consulting firms, referral, telephone enquiry and contacting acquaintance were more or less equally frequent. Instruction of head office and referral through the consulting firms' auditing arm were some kinds of referral the respondents relied on.

Table 3.15. Method of contacting consultants
(frequency in parenthesis)

Referral	7
Telephone Enquiry	6
Acquainted with consultant	5
Others	2

The responses to this question again revealed that referral and personal contact are very important means for the client and the consulting firms to make initial contact with each other. This in turn tells that the clients' knowledge of the consulting firms available in Hong Kong would affect their decision in approaching a consulting firm. If the company did not have much knowledge of any consulting firm, it might not be able to use the service even if it felt the need for external advice. On the other hand, a consulting firm have to make itself known to the companies in Hong Kong so that the companies will know whom to turn to when they need external assistance.

VIII. Reason for hiring a particular consulting firm

This question was asked to see why the respondents chose a particular consulting firm. Though Question 5 has revealed that the respondents consider reputation and credibility as the first two criteria for choosing a consulting firm, we would like to know whether they actually based on this same set of criteria when they decided a hire. In particular, we would like to know whether price or quality are important considerations when they actually selected a consulting firm.

The responses revealed that the companies were using similar set of criteria in choosing the most recent consulting firm they used. The respondents were not price conscious. Only one respondent mentioned price as one of the reasons. However, at the same time, only one respondent specifically mentioned the quality of service as the reason for the hire. They regarded reputation and credibility most highly.

Table 3.16. Reasons for hiring the particular consulting firm
(frequency in parenthesis)

Reputation	(6)
Credibility	(4)
Past record	(2)
The company associates with their auditors	(2)
Provide service at a reasonable cost	(2)
Good expertise in company	(2)
Did a good selling job to the management	(1)
Personal knowledge	(1)
Instruction of head office	(1)
Established business link	(1)
The consultant owns his own company	(1)
They have the best compensation database in Hong Kong	(1)

IX. Opinion on the service of the consulting firm

It is found that the respondents were in general satisfied with the service they received. There was only one respondent who was very unsatisfied with the service. The rest of the respondents were skewed towards being satisfied with the most recent consulting job they assigned. This reflects that the consultants in general were able to fulfil the requirement of the respondents.

The results of this question were tabulated below:

Table 3.17. Degree of satisfaction with the consulting service
(frequency in parenthesis)

Very satisfied	(4)
Satisfied	(9)
Neutral	(7)
Unsatisfied	(0)
Very unsatisfied	(1)

As per past research findings and literatures, we expected that the companies might encountered some problems during their interaction with the management consulting firms. Therefore, we asked the respondents whether they came across any problem in the interaction with the consulting firm. Contrary to our expectation, half of the respondents replied that they did not encounter any problem. This might seem to show that the consultants were doing a very good job in serving their clients. They might also be two other explanations for their phenomena. It is possible that the clients are not very sophisticated and critical users. Another possibility is that they did not have to work very closely with the consultants. For this group of respondents, their responses to Question 12 showed that the respondents were calling for specific services like market research and executive recruitment. If the type of service that was involved had required more involvement from the company, it might be possible that the responses shall be different.

For respondents who reported having encountered some problem with the consultant firm, the projects involved were of more significance to the future development of the company. They included projects like studies on organizational development, organization design, and feasibility study. These respondents complained that the consulting firms were not good enough, they did not know the client company well and took quite a long time to understand the client company and they did not have the expertise they claimed to have. There were also problems in communication and cultural difference. For these types of project, it might have to take some time to analyse the company's need, hence there were respondents who felt that the consulting firms were taking too long

to do the analysis and their actions were too slow.

Respondents' satisfaction with the consulting service would surely affect their readiness to use the same consulting firm again. In fact, it is natural that having worked with a particular consulting firm, the company will develop a sense of trust in that firm if the previous job was a satisfactory one. Therefore, we suspect that the respondents shall have a great tendency to rehire the consulting firm.

The respondents' reply to this question confirmed our proposition. Nearly all of the respondents said that they would hire the same consulting firm again when they need external advice/services. One respondent was not sure whether they would use the company again. Three respondents were definitely not going to use the same consulting firm again. The degree of satisfaction with the previous job and the emergence of problem during the previous encounter (as per Question 16) seemed to dictate the respondents' decision. The respondent who was not sure whether to use the firm again was not particularly satisfied or unsatisfied with the previous job (answer is "3" to Question 16) but he did not encounter any problem in the previous encounter with the consulting firm. The respondents not going to use the same firm again was either very unsatisfied with the previous service or had encountered problem in the previous interaction.

While it is natural that companies feeling satisfied with the consulting firm's service shall be more inclined to use it again, it is worth noticing that respondents who were not particularly satisfied or unsatisfied also showed an inclination to use the same firm again, with only two exceptions. This shows that the companies were having a certain degree of inertia in changing from one consulting firm to another. Therefore, early encounter shall be an important

factor in defining future use so long as the service is not unsatisfactory.

X *Other opinions about the consulting services*

Respondents' responses to this question usually reflected their general attitude or feeling towards consulting service. There were positive as well as negative feelings towards this service. Some respondents thought consulting service is a useful additional tool to management and the consultants generally give good advice for certain problems. Other respondents felt that the consultants sometimes do not understand the real need of a company, and they were inexperienced and provided limited knowledge and experiences. Besides, one respondents complained that there were too many firms of poor quality.

A respondent thought that management consulting services are more important to foreign company who want to invest or start business in China.

Still, another respondent shared his experience in using consulting service. He said that the company need to work closely with the consulting firm. There is no point in leaving them with an assignment and wait for the finished product.

To conclude, we find that respondents not having the experience of using consulting service are less knowledgeable of the consulting business in Hong Kong, and their attitude towards the service are more negative as compared to the respondents who have used consulting service before. In general, both groups of respondents said they would consider to use consulting service when they perceive a need for external help. Both groups consider credibility and reputation two most important criteria in choosing a consulting firm.

For respondents who have used the service, most of them have used the

service for less than four times in the past. They took the initiative to contact the consulting firms. They were using the same set of criteria to choose the consulting firm as they reported in an earlier question. In general, they were satisfied with the consulting service they received and would re-hire the same company when they need external advice again.

B. Interview Report

This part of our report is to present the information we gathered through interviewing several management consulting firms in Hong Kong. Through the interviews, we got some rough idea of the present situation of the business in Hong Kong. The interviews are centred on the topics of : the present market situation; consultants' opinion of Hong Kong companies' acceptance to this service; problems encountered in carrying out a consulting job; and the consultants' projection of the industry's future development.

In Hong Kong, there are now about two hundred management consulting firms. They include large management consulting firms with as many as 60 consultants, small management consulting firms having one or two consultants, and those individual part-time consultants. In order to capture a full picture of the consulting business, we intended to interview consultants from each of these groups of consulting firms.

Difficulties encountered

While larger firms can provide more industry information to us, the experience of smaller firms are also very valuable. They shall be able to tell us their experience of being a small business unit in the market, and their strategy in establishing themselves in the market shall be of great interest to us. For interviews with the individual consultants, we shall concentrate on their experience of being an individual consultant, the usual problems they have encountered and their motive for taking up the part-time job.

To our disappointment, we were unable to get the support from those small consulting firms. Though we tried to reach several of them, they always

replied that they were too busy to give us an appointment for interview. Therefore, we have to skip this kind of firms.

Another problem we encountered in this interview section is that even the management consulting firms do not know too much about the situation of the whole industry. They only know about their own company's situation, and what they shared with us is their individual opinion, based on their company's situation. The industry is rather a fragmented and closed industry. There is no communication between the consulting firms and no middleman (e.g. an association) can serve to build up a communication network among them. As a result, no one can provide comprehensive information of this industry. On one hand, this makes our study of the market situation somewhat more difficult than we have anticipated. On the other hand, this makes our report more valuable to the consulting industry in Hong Kong. It may be the first comprehensive report on the business and the consulting firms may learn more about the business in our report.

By means of convenience sampling, we have chosen seven consulting firms and two part-time individual consultants for our interview section. The consulting firms interviewed included four management consulting arms of the major international accounting firms in Hong Kong, and three specialised firms.

Except for two firms, all these major consulting firms have a very short history in Hong Kong. They have been established for five to eight years. Therefore, it confirms our previous assumption that at present, the business is at its early stage of development.

Another common characteristic of these consulting firms is that they all have overseas operations. Except with one firm which have its headquarters in

Hong Kong, they either have their headquarters overseas or are members of international management consulting groups. Therefore their resources are sufficiently large. This is very important when they first started their business in Hong Kong, when the market was not yet developed and they did not get much business.

In the following, we shall first present the industry information and then go on with the problems and difficulties of the work. Finally, we shall give their projections on the future of the field. However, since the specialised consulting firms are found to have a somewhat different perception of the market and have a different set of difficulties and problems, we have decided to present their opinions separately wherever necessary, so as to give a clearer picture.

Two individual consultants have shared with us their experience in the field. They are lecturers in the university and are acting as part-time consultants for some companies. Since they are working on a part-time basis, their considerations and working conditions shall be different from those full-time consultants. Therefore, we shall leave their responses to the final part of the report.

I. General information of the industry

1. *Types of management consulting firms in Hong Kong*

The management consulting firms in Hong Kong can be classified in several different ways. One way is to classify them according to their size of operation, whether they are individual consultants, consulting firms with a few consultants or large consulting firms with more than 40 consultants. Another way

is to classify them according to their range of service, whether they provide comprehensive range of consulting service or they confine their service to a specific field. Still another way is to group them according to the origin of their company, whether they are founded locally or they are foreign companies.

Among these different way of classification, we think that it is most meaningful to classify them according to the range of consulting services they provide. We find that the range of consulting services provided by a firm is usually determined by the company's philosophy or its own strategic decision. Besides affecting the range of services provided in the company, the philosophy also affects the company's perception of the role of a consultant in respect to the client. Therefore, by classifying them according to their range of consulting service, we shall be able to compare these two groups of consulting firms in the other aspects mentioned here.

For consulting firms that are associated with an audit firm, a full range of consulting service are usually provided. They do not have special mission or company philosophy that dictates them to limit their development to a particular field. They may continue to expand by adding different areas of service and their aim is to provide a full range of consulting services. They want to be known as a consulting firms providing comprehensive services to clients. From time to time, consultants of different areas work together to provide a whole package of consulting service to the client.

For the specialized firms, there is always a sort of company philosophy which causes them to concentrate on their particular field. Usually, the founder of the firm will be coming from a certain field. Their expertise and commitment to their own field dictate the companies' philosophy and direct their path for

future development.

2. *Market situation*

For non-specialized consulting firms, they experience increasingly keen competition in the field. Since most large consulting firms provide the three popular type of service: Human Resources, Information technology and Financial Management, the competition in these areas are rather keen. In addition, these three areas of service can also be provided by independent companies which may not be in the consulting business, competition is really keen.

Companies in the information technology industry such as IBM and Digital have their own customer service team that provide advice in the installation of computer system. The banks are very active in expanding their services and might provide same financial services to the clients as the consulting firms. We believe that the keen competition is another driving force for the non-specialized firms to go into areas that are not yet taken up by others.

For specialised companies, the competition seems not to be as keen. The expertise they build up gradually cannot be readily provided by the newcomers. In some cases, the firms are providing such expert advice to clients that no client may readily see its need for that sort of service before the consultants introduced the service to them. The consultants have to do some selling job to the client so that they see their need and hire the consulting firm. Since it is no easy job, not many new-comers would come into their way.

However, those specialised firms are not protected from competition simply because of their being specialized. Their expert knowledge and experience are their competitive edge which shell them from severe competition. For

example, although personnel agencies are specialized in personnel recruitment, they are facing very keen competition. It is because it does not need too much expert knowledge to set up a personnel agency.

3. *Demand for consulting service*

To say that competition is very keen does not mean that the consulting firms are striving hard for survival. According to the consultants that we talked with, the demand for service is very great. In fact, every consulting firms are experiencing high growth in the recent two years. From newspaper recruitment we see that many consulting firms are expanding and recruiting new consultants.

We speculate that the recent brain drain and labour shortage may have caused the companies in Hong Kong to reconsider their company organizations and structures, and their production operations. In addition, the senior managements are constantly moving from one company to another and from one country to another. As a result, there is not much continuity in the management level except in the family business. These may have constituted a greater demand for management consultants.

Another reason for the growth in business in the consulting field may be that the consulting firms are now enjoying the harvest of their past effort in educating the companies to the use of this service. Hong Kong companies become to regard the service as a good source of external help and advice. Hence more and more are using consulting service.

4. *The general attitude and knowledge of HK companies*

In our questionnaire part of this report, we have explored the attitude of those public limited companies towards consulting service. We find that companies having used the service and companies not having used the service have different degree of knowledge in the business and different attitude towards the service. It is of interest to hear from the consultants what they think HK companies' attitude is towards the service.

In general, the consultants felt that some Hong Kong companies are rather receptive to consulting service. Even some family business units have used their consulting service. At present, most of their clients are multinational companies but the number of local companies using consulting service are increasing. This increase has been able to support the recent rapid growth in the consulting service. However, since the industry only has a very short history in Hong Kong, the consultants thought that there are still many more companies that await to be educated in the use of the service. Many more companies at present do not think of using any consulting service.

Thus, though more and more companies are using consulting service, there are many more that need to change their attitude towards the service in order to sustain a continual growth in this business.

II. Information on Management Consulting firm

1. *Size of company*

For a management consulting company, the size of operation is limited by the number of consultants in the company. Therefore in comparing their size of operation, we have used the number of consultants in the company as an operational definition of company size.

As mentioned before, the consulting companies in Hong Kong vary greatly in size. The non-specialised companies we talked with are attached to four of the largest accounting firms in Hong Kong. However, even being the largest accounting firm, the size of their consulting companies vary. One non-specialized firm that we talked with, it being one of the largest consulting firms in Hong Kong, has as many as 60 consultants. The number of consulting consultants in the other firms ranges from 8 to 40. For specialized firms, the size of operation is usually smaller. For the three specialised firms that we talked with, they have less than 10 consultants in their company. Though the size of company is somewhat smaller, they did not feel that they were short of consultants. This is because they are specialising in their field of service and they shall not need too large an operation to capture more business.

2. *Range of services provided*

For the non-specialised firms, three or more areas of are usually provided. Areas covered includes Human Resources, Information technology and Finance. The firms also have one or two areas of service that are particular to their firm. One firm provides consulting service on feasibility study, and marketing strategy; other firms do not have these service but one provides consulting service on merger and acquisition; another firm provides advisory service on joint-venture business; and a third firm provides training courses for senior executives from client companies.

That is to say, though they provide several areas of service, each of the firm is trying to seek a particular niche in the market by providing some kind of advisory service that is/are special to all others. Though they are "generalized" consulting firms, they have some sort of specialization. We believe this shall serve to give the firm its own identity in the market so that they will not be competing exactly in the same niche.

The specialised firms, as this identification reflects, provide consulting services to only one field of business. For example, Hay Management Consulting (HK) Ltd is specialized in providing consulting service on compensation. Kurt Salmon is a management consulting firm for apparel management. There are also those head-hunting companies which specialised in recruiting senior executives for clients.

These specialized firms are characterized by having high expertise in their field. The consultants have had technical training and rich experience in the field. These firms are able to serve the needs of clients in the field they are serving, or they can serve more closely the particular need of their client.

Through specialization, these firms are able to provide the sort of expert advice that may not be available from non-specialized firms. Also, since the whole company is devoted to serving the whole industry, consultants in these firms are able to get support from their firms much easier.

3. *The consultant team*

All of the consulting team that we talked with are either founded by foreigners or are branches of overseas consulting firms. In fact, consulting service is originated from western countries. Therefore, it is interesting to know what sort of consultant mix does the consulting company have. It is natural that the consulting team shall have expatriates because the service is originated in other countries and so at the early stage, we should expect expatriates to dominate the consulting team.

However, if the consulting firm is to get the acceptance of local Hong Kong companies, it shall have to get local people in their consulting team. But if the consulting firm is only aiming at serving the multinational companies in Hong Kong, they may not need to maintain a team of local consultants. Therefore, from their mix of consultants, we shall be able to see what kinds of commitment or what type of clients they want to serve.

For the consulting firms that we have interviewed, specialized firms and non-specialized firms inclusive, they are all determined to maintain a consultant team that consist of Chinese speaking people. They found that it was important that they have local consultants to talk with the client companies because some clients were more comfortable to talk in Chinese. However, for consulting firms that mainly have multinational companies as their clients, the need for hiring

local consultants is less urgent. It is because the senior executives in most multinational companies are themselves expatriates. However, even these consulting firms prefer to have a team of consultants that have some local consultants.

This reflects that these consulting firms are aiming at expanding their business in Hong Kong by getting the acceptance of local Hong Kong companies. As mentioned before, many HK companies have not yet been educated to the use of consulting service, we shall see how these consulting firms manage to get acceptance from the local companies.

4. *Quality of consultants*

Besides the nationality, the consultants' previous training and experience shall indicate the companies' orientation or perception in consulting service. This also affect the quality of their consulting service. In fact, the success of a management consulting company depends on the quality of its staff. It is interesting to know what qualities the consulting firms expect their consultants to have.

Most consulting firms emphasized on previous working experience and business knowledge. Their consultants usually have rich working experience. One consulting firm also mentioned that having consultants with high reputation in a particular field is an important asset of the firm. Besides rich working experience and business knowledge, communication skill is another important quality demand from consultants. Since consultants may have to work closely with staffs from client companies and they have to work with other fellow consultants in the company, communication skill is very important.

Some of them may take some fresh MBA graduates but they shall only be a minority in the team. And most probably, they are not going to take up the role of consultant right after they take up the job. It is of interest that only one or two consulting firms ever mentioned that they would train up their own consultants. In view of the nature of work of the management consultants, it seems that training is very important. If the consulting companies do not train their own consultant and only rely on experienced executive to join in, the business may face shortage of calibre staff in the future when they try to expand their business.

At present, the consulting firms do not find it difficult to recruit consultants. The major problem is that the time elapsed between interviewing candidates and finally employing a suitable consultant has lengthened. In other words, they have to spend longer time in looking for consultants though they can eventually find one. Since some firms are ready to hire consultants in other Asian countries, the problem of shortage of consultants have not yet emerged.

5. *Promoting the company and getting business*

Results from the questionnaire survey reveal that the clients usually learn about the consulting firms through the press and personal contacts. And they choose which consulting firm to use according to the company's reputation, credibility and personal referral. Therefore, we believe that the consulting firms are making use of the press for publicity and they are contacting the clients through personal contacts.

The questionnaire results also shows that the consulting firms are not making use of aggressive marketing tactics to promote their business. They are

not calling on clients as frequent as we have expected. Therefore, we wonder what are the reasons for this. Also, we would like to know if there are other methods of promoting business that the consulting firms might be using but which does not catch the attention of the clients and so are not mentioned by the respondents in the questionnaire.

We found that there are two main reasons why the consulting firms are not making use of aggressive marketing tactics to promote their business.

Firstly, for those consulting firms attached to accounting firms, they are under the supervision of Hong Kong Society of Accountants (HKSA) and are not allowed to advertise their company in public. This is the first reason for not using publicity widely.

Even for consulting firms that are not under the rule of HKSA, they do not like to use wide publicity. They prefer to maintain a high reputation by restricting to other means of promoting their name. They tend to believe that if they use wide publicity, their image will be hampered. Therefore they prefer to rely on other means to promote their name.

Besides these personal contacts, the consultants would write articles for newspapers and talk in speeches. By this they both get the publicity for their firms and also get the general public to be impressed by their expert knowledge. Hence they can still make use of the press to promote their name though they cannot advertise publicly.

Among the seven firms that we have interviewed, a few are more aggressive. They would call on potential clients and explain to them the consulting services they are providing. For those firms that are not branched from accounting firms, they can freely call any clients that they have interest in.

Consulting firms attaching to accounting firms have to limit their calls to their audit clients. However, considering that they are major accounting firms in Hong Kong, their client base is already large enough for them to work on at this early stage of development of the business.

Most of these accounting firms have regular publishing discussing the issues of importance to Hong Kong. The specialised firms have some sort of professional papers on their particular field. They can send these publications to the clients or potential clients and promote their business by that way.

Among the various ways of promoting business, the most powerful tool is personal referral. In fact, client referral has been a major source of business. Therefore, the consultants are active in business associations and social groups so that they can broaden their network of personal contacts. Since for every company, it is the senior management that decides whether to use consulting service or not. If the consultants can reach the directors of the company through personal encounters, they can do some personal selling and have a larger chance of getting business from them. Indeed, with the expertise and rich experience of the consultants, they shall be able to build up the directors' confidence in the company.

We feel that in general, the consulting firms' promotional activities are successful. Though they may not be able to get business right away, they have at least serve to prepare the potential clients to use the service. It is really impressive that all the consulting companies reported that most of their business are initiated by the clients. Thus in most of the cases, the clients would come up to a consulting company whom they have heard of for help. The consulting companies' effort does pay off.

6. *Client base*

Since management consulting is a young business in Hong Kong, we have expected that multinational companies and those companies having young senior executives shall be more receptive to this service. We are surprised that our respondents who have used consulting services before come from different industries and are of very different styles. Some are of local origin, some are foreign companies, some are financial institutions and some are traditional Chinese companies.

This same answer was given when the consulting firms were asked about the general characteristic of their clients. They said that their clients come from different types of companies and there are no typical characteristics among these clients. However, after further probing, we find that though the consulting firms have clients from different backgrounds, the majority of their clients at present is still confined to multinational companies in Hong Kong. Nonetheless, the trend is that more local companies are using the service. In fact, many local companies are going public or expanding business overseas. They urgently need the experience and advice of the consultants.

We found that those management consulting companies that are attached to accounting firms have an advantage over the specialized firms and other firms that do not have an accounting arm. It is because they have already built up a client base in their auditing job. Those clients already have some confidence in their service and so they would be more receptive to the consulting services offered by these firms.

7. *Competitive strategies*

Through various promotional activities the management consulting firms make themselves known to Hong Kong companies. However, if a company considering to use a consulting firm is familiar with other consulting firms, the different consulting firms will have to compete with each other for business. What shall determine their success in getting business? This is an interesting question to probe into. The respondents have expressed in our questionnaire their reason for hiring a particular consulting firm. They said that the reason was their credibility, their reputation and their past results. We would like to know whether the consulting firms are conscious of the clients' perceptions.

It is found that the management consulting firms have the same perception of their clients. They know that reputation is very important and they try hard to attain good results for the clients. However, it is a bit disappointing to find that the consulting firms always re-iterate the importance of having a good reputation and importance of attaining good performance records. It seems that there is no sharp distinguishing competitive strategy for any firm.

Though this makes the picture of managing consulting service less interesting than we expect to have, we admit that this is a normal phenomenon for a new business. For every new product or service, the initial stage of marketing is to get acceptance for the product/service as a whole, rather than maintaining product/service difference. Thus it is acceptable to find consulting firms not trying hard to maintain a single competitive edge at this stage of product development.

8. *Criteria for accepting business*

Since the resources in a management consulting firm is limited, it may not be profitable to accept every business that comes along. Therefore, we believe that they might have some sort of criteria to decide whether to accept a business or not.

It is interesting to know that the consulting firms do have some criteria to decide whether to accept a particular project or not, but their reasoning is different from ours. Their reasons for rejecting businesses is that they do not want to hamper their reputation, not for consideration of profitability. In fact, there are two reasons for this. Firstly, their projects are charged on time cost basis and there is no need to differentiate between the clients. Secondly, clients that come to them always have some problems to solve and they are willing to pay for it. In both cases, there is no bargaining over the budget. Therefore, it is not necessary to discriminate between large clients or small clients.

For them, the main reason for rejecting business is to defend their good reputation. As we discussed before, reputation is of utmost importance to them. It is indeed their trump card for winning business. Therefore, they will carefully assess the probability of success of a project. If they find that they do not have the expertise to bring success to the project, they will turn down the offer. Also, if they find that the client company's financial rating is not good or if the client company does not have enough support from management for the project to be a success, they would turn down the business.

9. *Time frame of a project*

We would very much like to know how profitable it is to run a management consulting firm in Hong Kong or how much will a project cost.

However, it is also understandable that the consulting firms are not going to disclose this kind of information. However, knowing that the consulting firms are charging their clients on time cost, we try to get a rough idea by asking about the average time frame and average budget size. The consulting firms cannot supply to us information on average time frame and average budget size. It is because "the projects vary from one to another and an average number is going to be misleading", as explained by one of the consultant. Therefore, we cannot get any idea as to the profitability of the business.

What we do get is that most of their project will last for less than a year. For non-specialized firms projects that last for six months or more shall be long project for them. For specialized firms, the time frame for a project varies more widely. For one specialized firm, each project will usually last for more than six months. For another firm, most projects last for two to three months.

As for the range of budget, it may range from \$2,000 to \$44 million. Therefore, the range of budget is really very wide.

10. *Willingness for clients' to disclose information*

From literature in the western countries, we find that one of the difficult problem consulting companies often face is that their client company is unwilling to disclose their company information.

We find that this problem is not serious in Hong Kong. Both the non-specialized firms and specialized firms reported that their clients are very understanding and are willing to disclose information when necessary. The consultants explain this difference by the reasoning that every client that comes to them already has a problem in mind. He is eager to get the problem solved

and so he is going to be very cooperative. We believe this explanation does have some truth because as reported by them earlier, most of the clients take the initiative to approach them for consulting service. Thus, the consulting firms always have a better say in front of the clients. The other explanation for the phenomenon is that the consulting business in Hong Kong right now is a sellers' market. The clients' are more dependent on the consulting firms for service than the firms are dependent on the clients for business. Therefore, the companies are willing to cooperate with the consulting firms. We anticipate that this phenomenon may change as the market goes into a later stage.

11. *Problems encountered in the course of the project*

In the western world, the consultants have to face many problems in the course of their work. The problems they often encountered include problematic client-consultant relationship, politics inside the client company and difficulties in defining problems.

However, the consulting firms we talked with are happy with their clients and they cannot think of any significant problem that they have encountered. And there are very few problematic cases.

As we talked with the consultants, we find that they enjoy comparing client-consultant relationships with that between a patient and a doctor. There is only one firm that consider themselves as a facilitator or an assistant to the client company. Thus the consultants feel that they have a higher status than the clients and they indeed enjoy their clients' respect.

There are a few problems that have been cited, though. One consulting firm that has much business with multinational companies reported that sometimes the parent company may not accept the plans that are designed in

Hong Kong and so there may be abrupt changes to the plan that are already agreed upon by consulting firm and the client company in Hong Kong. A firm having the experience of working with traditional Chinese family business reported that they have faced objections from within the client company when they assist the client in implementing the plan. The personalities of the client company's managing directors sometimes bring difficulties to the consultants. At other times the consultants may have difficulty contacting the clients to report their project progress.

For most of the time, the consultants find their clients understanding and respectful. The problem of client-consultant relationship seems not to apply in Hong Kong. We believe that the relatively short time span of the consulting projects for Hong Kong is one contributing cause for the difference. When the time span is shorter, the consultants need not be too concerned with client-consultant relations. Therefore, they may not find it a major problem.

12. *Long-term relationship*

Consulting service is not a one-time-for-all business. Consulting firms rely on recurrent business to survive and to grow. Therefore, it is vital that the management consulting firms have ways to maintain their relationship with their clients.

We think that the most important way to ensure future relationship is that the consulting firm has done a good job for the company. This will build up confidence for the firm. As we have found from the questionnaires that the clients have a tendency to re-use the consulting firm, if the clients are satisfied with their service, they shall be likely to use the same consulting firm in the

future.

However, the consulting firms have to keep up their relationship with the client company so that their work will not be forgotten by the client. Also, there may be changes in the senior management in the client company. If the consulting company does not keep in close contact with the client company, they may lose future business.

The consulting companies are concerned with keeping close relationship with their clients. After the finish of the project, they would continue to contact the clients and see what is the further development of the project. They would contact their clients formally and informally. Paying visits to client companies, sending brochures or recent papers to the clients, and having meals with clients are some of the usual ways.

13. *Future : opportunities, threats, changes*

How do the consulting firms think about the future development of the business? Do they think there is going to be a better market?

The consultants we talked with are very optimistic of the future. They believe that the business is going to be good. In fact, all but one consulting firms mentioned that they would be hiring more consultants. It is because they believe more companies shall be using the services. They tend to think that there are going to be more opportunities for Hong Kong companies to use the service and the need for the service is always there. Their argument is that since Hong Kong is undergoing a major political change, there is more need for consulting service. Another consideration is that the Asian countries are having prosperous growth. Since all of these consulting firms do not limit their operations to Hong Kong,

the opportunities in other Asian countries are prevalent. Thus they have good reasons to be optimistic.

One consulting firm, however, is more conscious of the possible threats. They think that with improvement in management training in Hong Kong companies' senior management level, the need for consulting service may be reduced. The improvement of management training in companies might compete with consulting service. Also, the booming business shall attract more competitors to enter the market and more people would like to get a share of the pie. Therefore, competition shall be keener than before and the management consulting firms have to be alert for this.

INTERVIEWS WITH INDIVIDUAL PART-TIME CONSULTANTS

Both of the individual part-time consultants are lecturers at The Chinese University of Hong Kong. They have much in common with each other. Neither of them seek to take up the post of a part-time consultant in the first instances. The companies learn about them through past business connections or in seminars and approached them for their expert advice. Also, it is their practice that they shall wait for the business to come to them. They will not look for business themselves.

Both of them consider the part-time job as a good source of stimulation and satisfaction. They feel that through working with the companies, they can keep in touch with the business world and this experience is very helpful in their

teaching work. Therefore, they do not consider the monetary return a very important motivator to keep them in their work. In fact, according to them, the amount of money they got for their consulting project was much lower than the market price.

Concerning the future prospect of the business, they are optimistic. They think that the consulting business shall continue to grow. An important threat to the business, however, does exist. The lack of high calibre consultants shall set a limit to the quality of consulting service provided. One of them thinks that the present quality of service provided by most consulting firms is rather low.

This ends the report on the interview section. From the interviews we find that the business is growing rapidly and the client companies are looking for consultants instead of consultants looking for clients. At the same time, competition is keen. Consulting firms rely on their reputation to win their business and they have used various promotion tools to get their name across. Sending brochures, publications, and participating actively in professional associations are some of the means of promotion. The future of the business shall be promising but the consulting firms shall have to prepare for keener competition.

CHAPTER IV

CONCLUSION AND RECOMMENDATION

A. Conclusion

After presenting the questionnaire results and interview responses separately, what conclusion can be drawn from them? In the following, we shall discuss those findings that are given out both from the questionnaire and the interviews, and some of the prominent findings in the whole study.

1. *Acceptance of the service*

When we first designed this research project, we had a question in mind. We are not sure whether the consulting business shall gain acceptance from Hong Kong companies. On the one hand Hong Kong is a Chinese society. Traditional Chinese would not like to disclose their business information to others. The Chinese saying, "Do not disclose one's family weaknesses to an outsider" is rather a prevalent state of mind for traditional Chinese. Therefore, it seems very difficult for them to accept consulting service since the success of any consulting job would require a certain amount of company information to be disclosed to the consultants. On the other hand, Hong Kong is a highly westernised city. The senior management levels of Hong Kong companies have had much exposure to western management style. They are pragmatic and ready to accept new ideas provided that the ideas are helpful to the success of the company. Thus, it seems likely that Hong Kong businessmen shall accept consulting service as a useful external help.

Therefore, we set out to find out Hong Kong companies' attitude towards

the service. We find that the results are mixed. Some companies are holding a more positive attitude towards the service and they have used the service while other companies are more sceptical. The management consultants we interviewed tend to confirm this, though they also see that more and more Hong Kong companies are accepting the service.

Thus, we do not have a clear cut answer to our question: Do Hong Kong companies accept consulting service? We find that their attitudes differ among themselves. The trend, however, is towards greater acceptance.

2. Knowledge and attitude of the companies

In our questionnaire results, we find that companies having used the service are more knowledgeable about the business than companies not having used the service before. We also find that the former group of respondents are more positive towards consulting service. The interview responses from management consultants support this finding. They reported that their clients were understanding and respectful, and they were willing to provide company information that were necessary for the success of the consulting project. In addition, the consulting firms reported that it is always the clients who took the initiative to seek for their help but not the other way round. Thus we see that there are in Hong Kong some companies that understand the consulting business well and are ready to use the service. However, they also relayed to us that there are companies that do not understand consulting service and need to be educated.

Therefore, we find that though the number of companies using consulting service have increased, there are many companies that have never used the

service. Their knowledge in the business is inadequate and their attitude towards the service is rather negative. In this study, we cannot decide whether a company's knowledge in the business will affect their attitude towards the industry. We think that this shall be an interesting topic for future study. If the relationship between the two can be clarified, the consulting firms may know better how to cultivate a positive attitude in those companies that have not used the service before.

Another point worth mentioning is that among the questionnaire respondents, some were inclined to consider various types of accounting duties, commercial and administrative jobs as consulting services. Although consulting firms may provide a wide variety of services, these activities are not usually classified as consulting services. Even with consulting firms attached to accounting firms, the accounting duties will be handled by its accounting arm. Thus, we see that the respondents may still be quite confused with the scope of services provided by consulting firms.

3. *Criteria in hiring a consulting firm*

The questionnaire respondents regard credibility in keeping company information confidential and consulting firms' reputation as the most important criteria in choosing a firm. We find that management consulting firms are conscious of the importance of reputation. They think it very important to maintain a good reputation.

However, we think that reputation is only an informal indicator of the performance of a consulting firm. When the client companies do not have enough information on the performance of individual consulting firms, they have

to base on the consulting firms' reputation in making their selection. In the long-run, Hong Kong companies shall gather more information on the consulting firms and they may develop more sophisticated methods to assess the firms. Therefore, the consulting firms should make sure that their reputation are backed up with solid qualities that can attract clients.

The quality of the consultants in a consulting firm shall be the most important concern for a client. As one of the questionnaire respondent said, it is the consultant that serve the company but not the firm. Therefore, from the client's point of view, the work of a consultant shall define the quality of the consulting firm. Hence, consulting firms should ensure that the consultants's work are of high quality. Every consulting firm shall surely strive to get the highest calibre consultants it possible. However, supervision over the consultants' work will also be very important. The consulting firms should try to build up communication networks with clients so that they can get feedback from their clients concerning the work of the consultants.

Besides the quality of work, the time frame of a project shall be a point of concern. Though we do not have rich information in this respect, we have some respondents complaining that the consultants took too much time to finish the project. We understand the consultants have to take time to understand the client company's problem before they could give their recommendation, but the consultants must also adapt to the business practice in Hong Kong. Hong Kong people are very time-conscious. They always want to get things done in the shortest time possible. Therefore, it may be likely that companies in Hong Kong would consider the time taken to finish a project as a measure of the performance of a consulting firm. A consulting firm that does high quality work

but takes too long to finish a project may still be regarded as a moderate or poor performer. Thus, the consulting firms may also have to compete on efficiency.

4. *The role of consultants*

In the United States and other western countries, the consultants usually play the role of a facilitator. The client company and the consultants alike will consider the consultant as a co-worker. They work jointly together in their projects. Though the consultants gain the client's respect as an expert, they are more or less at the same status with each other.

However, we find that it is not the case in the Hong Kong situation. For most of the time, the client companies have to rely on the expertise of the consultant. The consultants in Hong Kong enjoy a high status in front of their clients. Therefore, we find that the consultants enjoy comparing themselves as a doctor to the company. They think that their relationship with the client can best be described as a doctor-patient relationship. Thus, the role of consultants in Hong Kong is quite different from that in western countries.

5. *Present Business Situation*

The consulting business in Hong Kong is still at its early stage. This is indicated by the fact that the consulting firms in Hong Kong are of rather short history. Even the prominent firms are established for less than ten years. Another indicator is that the companies in Hong Kong do not have enough knowledge in the consulting business. Some companies know about the industry quite well but many companies are still having negative attitude and insufficient

knowledge. Moreover, they are not clear of the exact scope of services provided by consulting firms.

There are hints, however, suggesting that the business is at the end of the infant stage and entering the growth stage. Management consulting firms report that their business are very good and they are expecting a better future. All of them are expanding their business and recruiting more consultants. At present, most of their business are initiated by the clients. In addition, the number of local companies using consulting firms are increasing. Actually, some respondents who have used the service before were traditional Chinese firms. Thus, we see that the consulting business is getting more and more acceptance from Hong Kong companies. Though we do not have the financial data concerning the annual turnover, from the above information, we are quite certain that the business is good and rapidly growing.

B. Recommendation

From the above conclusion, we learn that the profession in Hong Kong is enjoying a rather good business. So, should the consulting firms feel content with this trend and take a position of stability in terms of growth? In the following discussion, we will try to make a speculation on the future of the business and give recommendations accordingly.

Both the response from the questionnaires and the interviews suggest that the market of the profession is a seller-market. Demand for consulting services is far greater than the supply. Besides, similar to the situation in the western countries, clients of the consulting firms are mainly those large firms. Quite a portion of these large firms are branches or subsidiaries of the MNCs, with the

rest composing of large local companies. The cost of the service and the lack of knowledge of the consulting service inhibit smaller firms from hiring consulting firms.

Although at the present moment the market is a seller one, would there be a possibility of changing to a buyer-market? Unlike other products, the recurrent rate of using consulting services within an organization to some extent is limited. Should the effort of the consulting firms realize, the employing organization should then be free from the particular 'problem' (at least on the short-run). Having client-base limited to large firms, it is intuitively right of seeing a saturation of the market.

The future of the market, however, is not so dim. According to the Hong Kong Monthly Digest of Statistics (1988), there were about 2400 overseas companies operating in Hong Kong. This number is not a static one. Instead, there are firms moving in and out. This fluidity is especially salient in Hong Kong, who has a seemingly attractive tax rate and loose controls on foreign investment in Hong Kong. On average, there are about 20 new companies registered and 20 companies ceased business each month. Hence, although the probability of re-using consulting services may be limited to the past clients, there are always new clients coming in the market. Besides, global competition, restructuring, rapid-fire technological innovation and the threat of takeover make the large companies more prone to look for outside help. Thus, to such a large organization, there are lots of areas that may need the advice from consulting firms.

Up to here, the future market of the profession in Hong Kong is quite promising. However, this proposition should be treated with care. With the

coming of 1997 and the entering into the 10-years transition period, the political environment of Hong Kong is rather acute. Any change in the open economic and human right policy of the Republics of China would very likely turn the economic environment of Hong Kong into a turmoil. Foreign investors all are very sensitive to any change in the political environment of Hong Kong. The uncertain political environment of Hong Kong would make some foreign investor hesitate in entering Hong Kong, or would make some investor retreat operations from Hong Kong. In conclusion, the business of the consulting firms might be hampered to certain extent.

Although the nature of the services provided by consulting firms is quite different from that of consumer goods or industrial goods, the product life cycle concept still apply. Recall that it was pointed out in Chapter 1 that, in developed countries such as the United States, the consulting business has already passed the infant stage. This proposition is supported by the volume of articles discussing ways of maintaining good relationship with clients, rather than talking about how to start a relationship with clients. Similar to ordinary products, the consulting business will move along the product life cycle, with marketing effort plays an important role in the growth and maturity stage. Indeed, it is increasingly urged that consulting firms, in considering growth strategies, should be more market-driven(D.A. Tierno, 1986).

Seeing that the market potential in Hong Kong is not really so promising for the consulting firms to sit and wait for clients walking-in, as well as the fact that competition does begin to grow intense, ability of enlarging the client-base would be a competitive advantage of any consulting firm. Selling and marketing hence become important elements in consulting business. From the results of

question 3 of the questionnaire and that of the interview, referral is the most usual source of new business. To keep a good relationship with existing clients thus is critical. The basic element contributing to a good relationship is a satisfactory outcome of the consulting advice. Beyond this, it is suggested that management consulting firms should be willing to spend time maintaining a long-term relationship with the client after furnishing a project. Besides ordinary business and social contact, consulting firms should take a more aggressive role. Frequent follow-up on the actual implementation of the advice should be made. This not only can show your concern over the client, but also may induce new areas of improvement.

From the results of question 1 & 2 of the questionnaire, we know that there is still room to increase the general knowledge of public towards the profession, so as to boost the usage of consulting services. To educate the public, ordinary advertisement is not applicable. Rather, the merit of hiring a consulting firm should be conveyed, while the scepticism over the usefulness of consulting advice should be removed. Journals, news media and seminar are good ways of raising public's knowledge.

As revealed from the questionnaire's and the interview's results, reputation is the differentiate factor of consulting firms. How is reputation gained? Indisputable, reputation is established through past outstanding performance. Outstanding performance in turn relies heavily on the quality of management consultants. Although some people may regards the relationship between a consulting firm and a client as doctor to patient, others may be more inclined to view the consulting firm as a co-worker one, or even an external helper. Hence, the status of being a consultant actually is not as prestigious as it should be. This

create the problem of hiring high quality consultants. Those high-edged executive would rather remains to be the CEO of an organization than to take a consulting career. As fiercely as they are vying for clients these days, the most heated contest among consulting firms of all stripes is for well-qualified consultants. Together with the braindrain evolved from the 1997 issue, the hiring of suitable consultants is seen to be a major road-block of the growth of consulting firms.

To enhance the reputation and the quality of consulting firms, the formation of an association is called for. As mentioned earlier, there are already quite a number of management consulting associations formed in the developed countries. With the competition grow keener in the Hong Kong's marketplace, an association of management consulting not only helps to boost the business, it also helps to differentiate competent and qualify practitioners from the rest. In addition, the establishment of publicly acceptable standards of the member practitioners would most probably raise the overall quality of management consulting firms. It is because a dedicated consulting firm should strive its hard to become member of a prestigious association.

In summary, there is a great potential of growth of the profession in Hong Kong, provided that the political environment of Hong Kong remains quite stable. Areas needed to be taken into consideration when concerning the growth strategies include the ability in hiring excellent consultants, the ways of increasing clientele, and the need of establishing an association of management consulting.

Appendix 1 - Types of services provided by management consultant (to be cont'd)

GENERAL MANAGEMENT

- Organization planning and structure
- Corporate strategy formulation
- Strategic business planning and long-range objectives
- General business surveys

PRODUCTION & MANUFACTURING

- Production planning and control
- Inventory and materials planning
- Industrial engineering
- Manufacturing layout and workflow planning
- Quality control
- Equipment utilization
- Plant management
- Logistic planning
- Warehousing and distribution planning

HUMAN RESOURCES

- Training and development
- Compensation and benefit
- Recruitment and placement
- Job evaluation system
- Communication
- Psychological and behavioral studies
- Labour relations

MARKETING

- Marketing strategy formulation
- Market and product research
- Consumer marketing
- Merchandising
- Sales forecasting
- Sales training
- Advertising and sales promotion
- Pricing policy
- Public relations

FINANCE & ACCOUNTING

- General accounting
- Cost & managerial accounting
- Long-range financial planning
- Short-term planning, budgeting and control
- Credit and collection
- Economic feasibility study
- Capital investment
- Treasury management
- Financial information and reporting
- Accounting system improvement
- Valuation and appraisals
- Tax planning

Appendix 1 (cont'd)

INTERNATIONAL OPERATIONS

- Area development
- Multinational company policies and strategies
- Licensing, joint ventures, and ownership
- Marketing
- Financing
- Tariffs and quotas

LEGAL ADVICE

- Laws on corporation and partnership
- Laws on joint ventures with the government and with foreign companies
- Labour laws

INFORMATION TECHNOLOGY

- Office automation
- System improvement
- Software development
- Technical Support

Appendix 2 - Questionnaire

SURVEY ON HK COMPANIES' ATTITUDE TOWARDS MANAGEMENT CONSULTING SERVICES

1. As far as you know, what kind of services are currently provided by management consulting firms in Hong Kong?

2. Please cite any management consulting firms that you know?

3. How do you learn about these companies?

4. Under what circumstance(s) will you consider hiring a consulting firm?

5. What factor will you consider most important in deciding which consulting firm to hire? (Please rank the following in descending order of importance)

RANK

- i) credibility in keeping company information confidential
- ii) high reputation
- iii) personal referral
- iv) size of company
- v) history of company
- vi) others (please specify)

6. How likely do you think a management consulting firm can help solve your company's problems?

1-----2-----3-----4-----5

Very
Likely

Very
Unlikely

7. In general, do you think HK companies need services from management consulting firms?
- Yes / No
8. Have you ever hired any management consulting firms?
- Yes / No
9. If "No", what is the prime reason for not hiring a management consulting firm? (Please circle only one of the followings)
- i) not necessary
 - ii) expensive
 - iii) do not want to disclose company information
 - iv) do not know how to contact these companies
 - v) they cannot help
 - vi) others (please specify)

If you did hire management consulting firms before, please answer the following questions:

10. How many times has your company hired management consulting firms?
- 1-3 4-6 7-10 10 or more

Please refer to the most recent management consulting firm that you hired for the following questions :

11. Under what circumstances did your company decide to hire an external management consulting firm?

12. Which kind of service was it?

13. Did you take the initiative to seek for their services?

Yes / No

14. Through what mean(s) did you make initial contact with each other?

15. Why did you choose to hire that particular company?

16. Were you satisfied with their services?

1-----2-----3-----4-----5

Very

Satisfied

Very

Unsatisfied

17. What kinds of problems did you encounter during your interaction with the management consulting firm?

18. Will you hire the company again when you need external advice/services?

Yes / No

19. Any other opinions about the management consulting services?

THANK YOU VERY MUCH FOR COMPLETING THIS QUESTIONNAIRE

Appendix 3 - Question asked during the interview with
practitioners (to be cont'd)

GENERAL INFORMATION ON THE INDUSTRY

- Is competition keen in the consulting business?
- Is the demand for consulting service great?
- Which of the various kinds of consulting services is the most popular?
- Are there any new trends in the industry(e.g. new kinds of services peculiar to Hong Kong - China trade advice)?
- What is the general attitude and knowledge of Hong Kong companies towards this industry?
- How would you position your company in respect to your client group, your company style and so on?

GENERAL INFORMATION ON COMPANY

- What kinds of consulting services are currently provided by your company?
- Do you concentrate in one of them?
- When did you start operating in Hong Kong?
- Is your company built up by foreign capital or local capital?
- What is the ratio of no. of consultants to that of general staff?
- Is recruiting consultants a problem?
- Are your consultants mainly foreigners/expatriates?
- To the customer, does it matter whether the consultant is a foreigner or Chinese?
- Would you seek help from external consultants(e.g. lecturers in the universities)?

Appendix 3 (to be cont'd)

PHASE I: STARTING A RELATIONSHIP

- How would you promote your company? How do you get others to know your company?
- Usually, how do you approach clients companies? Is there any difficulty?
- How do you get the potential clients to hire your service?
- What are the criteria in accepting a business? Would you accept every assignment coming to you?

PHASE II: ENGAGING IN A RELATIONSHIP

- What is the average time frame and budget for the projects?
- How do you budget the cost of a project?
- What are the usual characteristics of your client companies(e.g. ownership, size)?
- Are client companies unwilling to disclose their information?
- What are the problems usually encountered? Has there been any incident that the client did not want to continue a project?
- What kinds of clients do you think are most hard to serve?
- Besides the consultant, what staffs are involved in a project?
- How many consultant will be involved in one project? How many projects will one consultant be responsible at one time?
- What are the strengths that you think most attributable in attracting clients?
- What factors you think most critical in establishing a good working relationship with the clients?

PHASE III: MAINTAINING A LONG-TERM RELATIONSHIP

- Would you try to maintain a relationship with clients after the projects?
- Is the recurrent rate high?
- Will former clients introduce new clients to you?

Appendix 3 (cont'd)

FUTURE

- Do you foresee any special opportunities and threats of this profession in the future(e.g. the coming of 1997)?
- How would you prepare yourself for the future?
- Do you expect the business to be good for the coming years?
- What types of changes, if any, do you foresee to occur in this profession?

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